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August 5, 2005

**VIA FEDERAL EXPRESS**

California Energy Commission Dockets Unit  
Attn: Docket No. 04-IEP-1F  
1516 Ninth Street, MS-4  
Sacramento, CA 95814-5512

<b>DOCKET</b>
<b>04-IEP-1F</b>
DATE <b>AUG 05 2005</b>
RECD. <b>AUG 08 2005</b>

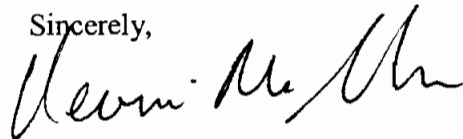
**Re: Response of Vulcan Power Company; Loading Order Workshop**

Dear Sir or Madam:

Please find enclosed the Response of Vulcan Power Company to be offered into evidence as part of the record compiled for the above-captioned proceeding.

Thank you for your assistance with this matter.

Sincerely,



Kevin McSpadden

Enclosure

In the matter of:	)	Docket 04-IEP-1F
	)	
The Preparation of the <i>2005 Integrated</i>	)	
<i>Energy Policy Report (2005 Energy Report)</i>	)	
	)	
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**COMMENTS OF  
VULCAN POWER COMPANY**

Vulcan Power Company ("Vulcan"), pursuant to the California Energy Commission's ("Commission") Notice of Committee Hearing on Strategic Planning Issues and Transmission Staff Report, Docket 04-IEP-1F, respectfully submits its comments on the Staff Report.

Vulcan is a developer of geothermal baseload generation resources in the Western region of the United States, particularly in California. Vulcan has executed a power purchase agreement with Southern California Edison Company ("SCE") for the purchase and sale of up to 120 MW of baseload geothermal generation, and has completed negotiating power purchase agreements with other California utilities. We offer the following comments on the Staff Report titled "*Upgrading California's Electric Transmission System: Issues and Actions for 2005 and Beyond*":

**A. The Staff Report Should Have Recognized the State's Full Geothermal Potential.**

Vulcan is concerned that the Commission has not fully appreciated its prior testimony on the geothermal potential that is available and which would benefit from transmission upgrades. This is evident from the focus in this recent Staff report on the

geothermal potential in the Imperial Valley, without any mention of transmission upgrades that would benefit geothermal development outside the Imperial Valley. It has been Vulcan's position in this proceeding that significant geothermal resources are available to meet PG&E's RPS standard located in Northern California and across the California border in Oregon, and significant geothermal resources are available to meet SCE's RPS standard located across the border in Nevada. Up to 1,400 MW of such resources are likely available, and the upgrades required for developing these resources are very cost effective given the base load nature of these resources. However, the full potential of these resources cannot be developed due to transmission constraints preventing the delivery of these baseload resources to the ISO grid. Vulcan must reiterate its position again that the Commission should immediately order the formation of transmission study groups to deal with well known transmission constraints and provide recommendations for alleviating these constraints, including the estimated cost of such upgrades. The Commission should also order the formation of a transmission corridor study group to provide recommendations for implementing North of Lugo system upgrades. The Commission would then be in a position to conduct an economic feasibility analysis and ensure that California is developing its full renewable potential in the most economic means possible.

**B. The Staff Report Should Have Discussed the Transmission Constraints that Are Preventing These Resources From Being Developed.**

In prior testimony, Vulcan presented evidence regarding the geothermal potential in Siskiyou, Shasta, Lake, Sonoma, Mono, and Inyo Counties, and directly across the California border in the States of Nevada and Oregon. It is general knowledge and has

been documented that a minimum of 1,400 MW or more of such cost-effective resources are located outside the Imperial Valley.

Vulcan is very frustrated that its prior testimony and recommendations have not been recognized by the Commission Staff. Several months back Vulcan met with Commission geothermal staff, along with the incoming President of the geothermal industry association and other parties. It was made clear to Staff that Vulcan project sites both in-state and out-of-state are high quality resources worthy of development and they are large output potential. This data has apparently been ignored by Commission staff. This should be rectified by recognizing in this Staff report the value of these resources.

In its prior testimony, Vulcan presented cost estimates which demonstrate the economic value of the projects, particularly in comparison to other projects recommended in Staff's report. Moreover, the permit and construction process could be expedited given that the projects identified by Vulcan only require upgrades to existing facilities and do not require the construction of additional transmission facilities. Three of the most cost-effective recommendations made by Vulcan include upgrades to the North of Cottonwood facilities, North of Round Mountain facilities, and North of Lugo facilities. The Staff report should include these recommendations in its final report to the Commission.

**C. The Staff Report Should Have Recommended the Formation of a Transmission Study Group to Address These Transmission Issues.**

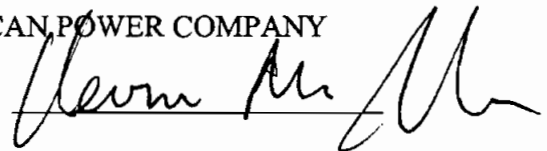
As mentioned on many occasions, it should be a priority for the Commission to immediately form transmission study groups to evaluate the constraints that are preventing the State from developing its full geothermal potential. Vulcan

recommends the formation of two additional renewables transmission working groups:  
(1) a working group for SCE's service territory, whose purpose is to address constraints outside Tehachapi and Imperial Valley, and (2) a working group addressing transmission constraints in Northern California. Each of the transmission working groups should submit reports to the Commission by November 2005, for use by the Commission in its 2005 Energy Report.

Respectfully submitted this 5th day of August, 2005.

VULCAN POWER COMPANY

By:



Its Attorney

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